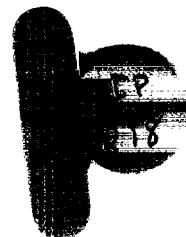


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Project: IP-218 CENTRAL INTELLIGENCE AGENCY

OFFICE OF RESEARCH AND REPORTS

29 June 1951

Project Initiation Memorandum

TO: D/A

FROM: D/R

SUBJECT: Flow of strategic resources and technological information into  
the USSR via Western Europe

Statement of project

Origin: Internal (OPG)

Problem: To furnish "spot" estimate on subject in regard to:

- a. Kinds of strategic resources and technological information;
- b. How acquired;
- c. Principal sources and points of contact within Western Europe (cities and organizations).

Graphics: None

Form: Memorandum (no more than 2 pages)  
(Any previously prepared estimate  
is acceptable)

Draft due in D/R: As soon as possible

Dissemination deadline:

Responsible Division: D/A

Internal Coordination: As necessary

Departmental responsibilities: None

Classification to be no higher than: SECRET

Recommended Dissemination: Requester only

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25 June 1951.

MEMORANDUM FOR: Chief, ID

SUBJECT: Request for Intelligence

1. It is requested that ORR furnish this division with a "spot" estimate on the following question:


a. What strategic resources and technological information is the USSR receiving from or through Western Europe?

b. How is it acquired?

c. What are the principle <sup>21</sup>sources and points of contact within Western Europe? ~~(Personalities and locations)~~


*See memo / oral airtel & rgs.*  
2. Due to the urgent need for this material, this division is perfectly willing to accept any current estimate which may have already been prepared. In any event, it is not necessary to devote more than the minimum amount of space (a page or two) to the answers to the above. At a later date, this division may request a more elaborate study of East-West trade as it affects Western Europe.

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Intelligence Officer, WE Division

WE/PL/HBS/fsh

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1P 218  
10 July 1951

IP 218

SOVIETS PROCUREMENT IN SELECTED WESTERN EUROPEAN COUNTRIES

25X1A

(U.K.-Belgium-The Netherlands-Sweden-France and Italy)

INTRODUCTORY REMARKS

The six countries under consideration exported about \$260 million worth of goods in officially recorded trade to the Soviet Union during the first nine months of 1950. This compares with \$368 million worth of export trade during the same period in 1949. The drop in trade volume, however, was not nearly as sharp as the value figures in dollars indicate: a number of European countries had devalued their currencies late in 1949. Their lower exchange rate was not immediately accompanied by a price increase in 1950; it is, however, reflected in the lower dollar amount, when converted at the official rate. Since volume figures are usually not available it cannot be said with certainty that the trade volume contracted at all, or if so, to what extent.

It may be assumed that the officially recorded exports to the Soviet Union did not contain items on the embargo lists of those countries. It is known, however, that many of these exports were items of strategic importance to the Soviet Union.

No overall figures are available for clandestine trade. It is extensive, is carried out in highly strategic commodities and the usual means of carrying it out are the following: transshipment via Western countries, shipments through free ports, shipments in parts and components which are assembled at destination, laxity in official authorizations, falsified declarations, outright smuggling (the latter of relatively minor importance). The extent of illicit trading has been varyingly estimated as being equal to or several times the volume of legitimate trade.

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United Kingdom

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Recorded exports of the UK to the Orbit amounted to \$91 million in the first nine months of 1950, as compared to about \$108.6 million during the same period in 1949. These exports consisted of machinery, manufactured goods, wool and wool products, and rubber.

Machinery constitutes about 60% of all exports to the Orbit. Under this heading are lumped together mining machinery, textile machinery, machine tools, compressors, boilers, generators. The latter seem to have been the largest single item shipped directly to the USSR in 1949 and 1950.

In addition to machinery, iron and steel manufactures, and electrical goods, there were chemicals, dyes and drugs going to the Bloc.

Rubber, of which the major part was transhipped from Malaya, amounted to about 18,500 tons during the first six months of 1950.

Wool and woollen goods were another major item going to the Bloc (mainly Czechoslovakia), valued at close to \$2 million for the first half of 1950.

In 1950, legitimate exports to the Soviet Bloc amounted to only 1.5% of total British export trade, as compared with 5.5% before the war.

Well-known for trade in strategic materials with the Soviet Bloc is the British firm "Industrial Specialities Ltd." of London. A Mr. Ludovich is their principal man.

#### Belgium

Recorded trade with Eastern Europe for the first nine months of 1950 was valued at about \$44 million. Shipments to USSR proper for the same period amounted to about 15 million dollars. Main items were: machinery (both electric and non-electric), iron and steel and manufactures, copper, lead and tin and manufactures, some rubber, some textiles and fibers. Considerable amounts of iron and steel manufactures went to the Far East.

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These commodities were exported in the following amounts (12 months of 1950):

Copper and copper products \$5.8 million, of which \$2.8 million were re-exports. Czechoslovakia was the largest customer, buying for \$3.3 million (2.2 of which were re-exports)

Lead exports to Orbit countries amounted to \$550,000; zinc to \$955,000; aluminum, which went to China, was sold for \$401,000.

Machine tools were exported for \$1.5 million; machinery and parts for \$892,000; generators for \$600,000; fertilizers to China and East Germany for \$4.2 million, of which \$1.5 million were re-exports.

Only partly recorded, but of great strategic importance are industrial diamonds. Direct purchases in 1950 were some 5,000 to 6,000 carats; but exports to Germany increased 30-fold over 1949 (from 2,000 to 66,000 carats), 16-fold to Italy (from 5,500 to 88,600 carats), and about  $2\frac{1}{2}$  times to Sweden (from 20,000 to over 48,000 carats). Imports of other countries, such as Austria and Israel, also increased. It must be assumed that most of these purchases found their way into Eastern Europe.

Diamond dies and diamond set tools were shipped in considerable quantities to Eastern Europe directly and to Switzerland, presumably for transshipments to Eastern Europe. (Diamond wire drawing dies are necessary for the production of metal screening which is used in atomic energy equipment.)

Shipments easily move through the free port of Antwerp and travel in "transit" to any destination, without being subject to Belgian control. Transshipments via other Western countries, such as Switzerland, Western Germany, etc., are also extensively used for exporting strategic goods to the Orbit.

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### Netherlands

Recorded exports from the Netherlands to the Soviet Bloc amounted to about \$19 million in the first nine months of 1950; this is a sharp drop from 1949, when \$59 million worth of goods were exported during the same period. The greatest decline occurred in the "industrial" items, which indicates a stricter application of export controls.

Export goods consist of foodstuffs (butter and other fats and oils, fish, potatoes); textile fibres and manufactures; machinery (electrical and non-electrical); transportation equipment; iron, steel, tin, and manufactures; chemical products.

Dutch trade with the USSR proper is very small; its principal trading partners in the Orbit are: Czechoslovakia, Poland and China.

Transit trade, for which no figures are available, is probably much more important to the Orbit: shipments of industrial diamonds, radar equipment, non-ferrous metals, rubber, fuel oil and other strategic items have been reported.

The "Phillip's Company" at Eindhoven provides electrical equipment to the Orbit through its branch offices and plants in the East.

Transshipments are being handled by "Van Uden's Transport Bureau" in Rotterdam.

Dutch transshipments of industrial diamonds have been handled by the important Swiss firm "Metallbodia A. G." in Basle.

### Italy

Italy's recorded export trade to the Orbit amounted to \$46.6 million in the first nine months of 1950, compared with \$38.3 million in the same period of 1949. It is the only country of the six under discussion whose recorded export trade to the Bloc increased; all the other five countries show considerable decreases in the dollar value of their recorded exports

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to the Bloc, ranging from about 18% (for the U.K.) to approximately 60% for the Netherlands.

Major recorded export items during January-September 1950 were: iron, steel and manufactures, (about \$1.5 million), machinery and apparatus (about \$19 million), ships, tugs, dredges (about \$1 million), sulphur (about \$155,000), also mercury, chemicals, vehicle parts, instruments, dyeing and tanning materials.

In view of the Communist infiltration in the Italian Ministry of Commerce, official statements such as "no exports of L-B items made without authorization" must be judged with caution.

#### France

France exported about \$30 million worth of recorded goods to the Soviet Orbit in the first nine months of 1950 compared with almost \$49 million in the same period in 1949. In 1949, about 18.6% of France's exports of machine tools, ball bearings, conveying equipment, electrical apparatus (high-speed threading machines) went to the Orbit. The 1950 export pattern was similar but on a considerably reduced scale.

Other manufactured export articles were: boilers, engines, compressors, vehicles, steel rails for China, capacitor paper, fertilizers. Most important among the base materials were lead, phosphates and cork.

Radio equipment transshipped through Switzerland went to a Budapest firm ("Electroimpex").

The extent of clandestine trade has not been estimated but is thought to be considerable.

French firms specifically mentioned by name as trading with the Orbit were:

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"Louvroil Montbard Aulnoye," the largest French steel pipe and tubing manufacturer. (high official: Mr. Benard)

"Papeteries Bollore," Avenue de Messine, Paris, producer of capacitor paper.

Sweden

Recorded Swedish exports to the Orbit amounted to about \$50 million in the first nine months of 1950 (compared with 68.5 during the same period of 1949); about \$14 million worth went to USSR proper (mainly metals and manufactures). Czechoslovakia and Poland were the other main importers.

Major items of exports were: machinery (electrical and non-electrical), high grade ores, ferro-alloys, stainless tool-steels, ball and roller bearings and components.

From 1935 to 1941, when total Swedish ball bearing exports ranged from 7,000 to 12,000 metric tons annually, the Orbit area (including Finland) bought from 10 to 20 percent. Since 1942 the Orbit has bought over 40% of Swedish ball bearing exports in two years (1944 and 1947) and from 25% to 32% in three years. (1946, 1948 and 1949) With the exception of 1944, when the USSR bought 1,316,000 tons, Czechoslovakia was the major purchaser in all years, while the USSR took second place at a considerable distance, with Poland following closely, sometimes exceeding USSR's purchases. In 1950, export licenses granted for bearings to the Soviet Bloc increased by almost 25 percent over 1949 (from Swedish Kronors 9.8 million to Sw. Kr. 12.1 million). In April 1951 Sweden had a backlog of orders for strategic ball bearings for the Soviet Bloc and China, amounting to almost 13 million Swedish Kronors. Czechoslovakia, with orders of over 6 million, required embargo-type roller bearings for railways.

Miscellaneous items on TMI Lists I, II and III (exclusive of ball bearings) on the other hand, showed considerable declines in the amounts granted for export in 1950, as compared to 1949.

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